

COMPETITIVE NATURE OF THE SMR MARKETS
IN WHICH SOUTHWESTERN BELL HOLDS SMR LICENSES

Southwestern Bell Corporation (SWB) conducted a study of the Commission's files at its Gettysburg, Pennsylvania, Licensing Division office. The study demonstrates that in each market in which it has operated a Specialized Mobile Radio System (SMR) under conditional waiver, SWB has had no adverse effect on competition.

Market By Market Survey Of SMR Competition

To define the major markets in which SWB controls SMRs, SWB adopted the Commission's definitions of Designated Filing Areas (DFA) for 900 MHz band SMRs, see, Public Notice, Private Land Mobile Application Procedures For Spectrum In The 896-901 MHz and 935-940 MHz Bands (FCC Mimeo 0539 Released November 4, 1986).
~~Since the Commission's DFA definitions include most of the useful~~

New York City:

The FCC has determined that the New York City area consists of certain counties in New York State and certain counties in New Jersey. In New York State, the counties or boroughs of New York include Queens, Bronx, Kings, Richmond, Nassau. The counties of New Jersey deemed to be within the New York City market are Bergen, Essex, Hudson, and Union.

On a county by county basis, the FCC records show the following numbers of authorized SMR stations:

County	Authorized SMRs	SMR Licensees
New York (Manhattan)	87	23
Queens	19	8
Bronx	2	1
Kings (Brooklyn)	7	3
Richmond (Staten Island)	6	5
Nassau (Western Long Island)	20	9
Bergen	14	6
Essex	23	12
Hudson	7	3
Union	3	2
Totals	188	36*

*Total is not cumulative
among counties.

All allocated SMR Category channels are either assigned in the New York City area or have been recovered and not made available to any applicant.

Southwestern Bell faces competition from 35 other SMR operators in the New York City area.

Chicago:

The Commission has determined that the Chicago area consists of Cook County, Illinois; and Lake County, Indiana:

The FCC records show the following number of authorized SMR stations:

County	Authorized SMRs	SMR Licensees
Cook County, IL	113	31
Lake County, IN	16	4
Totals	129	32*

*Total is not cumulative
between counties.

All allocated SMR Category channels are either assigned in the Chicago area or have been recovered and not made available to any applicant.

Southwestern Bell faces competition from 31 other SMR operators in the Chicago area.

Los Angeles, CA:

The Commission has determined that the Los Angeles area consists of the California counties of Los Angeles, Orange, Riverside, and Ventura.

County	Authorized SMRs	SMR Licensees
Los Angeles	240	66
Orange	84	34
Riverside	27	16
Ventura	47	24
Totals	398	94*

*Total is not cumulative
among counties.

All allocated SMR Category channels are either assigned in the Los Angeles area or have been recovered and not made available to any applicant.

Southwestern Bell faces competition from 93 other SMR operators in the Los Angeles area.

Philadelphia:

The Commission has determined that the Philadelphia area consists of the Pennsylvania counties of Philadelphia, Bucks, and Montgomery, and the New Jersey counties of Burlington and Camden.

The FCC records show the following number of authorized SMR stations:

County	Authorized SMRs	SMR Licensees
Philadelphia	62	37
Bucks	21	14
Montgomery	9	6
Burlington	5	5
Camden	17	12
Totals	114	60*

*Total is not cumulative
among counties.

All allocated SMR Category channels are either assigned in the Philadelphia area or have been recovered and not made available to any applicant.

Southwestern Bell faces competition from 59 other SMR operators in the Philadelphia area.

The Commission has determined that the Dallas-Fort Worth area consists of the Texas counties of Dallas, Tarrant, Collin, Denton, Ellis, Johnson, Kaufman, Parker, and Rockwall.

<u>Country</u>	<u>Authorized SMRs</u>	<u>SMR Licensees</u>
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Atlantic City, NJ:

The Commission has not defined a DFA for Atlantic City. However, it is clear from review of the Commission's records that the appropriate geographic area consists of Atlantic County and Cape May County, New Jersey.

County	Authorized SMRs	SMR Licensees
Atlantic	21	17
Cape May	4	4
Totals	25	21

No 800 MHz Waiting List is centered within the Atlantic City area. However, parts of the Atlantic City area are within one or more of three Waiting List areas. Whether channels for a new entrepreneur would be available could depend on the actual site of a proposed station.

Southwestern Bell faces competition from 20 other SMR operators in the Atlantic City area.

San Luis Obispo, CA:

The Commission has not defined a DFA for San Luis Obispo, California. Sites in San Luis Obispo County serve the area, as do some sites in Santa Barbara County. However, other SMR sites in Santa Barbara County do not provide any signal to the San Luis Obispo area. To avoid overstating the extent of competition, only Santa Barbara County SMRs west of 120 degrees West Longitude were included in this review. This disregards 19 stations in Santa Barbara County.

County	Authorized SMRs	SMR Licensees
San Luis Obispo	12	9
Santa Barbara	11	7
Totals	23	13*

*Total is not cumulative
between counties.

San Luis Obispo is within a Northern California 800 MHz band
Waiting List area. Whether channels would actually be available

Milwaukee, WI:

The Commission has determined that the Milwaukee area consists of Milwaukee, Ozaukee, Racine, Washington, and Waukesha Counties, Wisconsin.

County	Authorized SMRs	SMR Licensees
Milwaukee	12	8
Ozaukee	0	0
Racine	4	4
Washington	4	4
Waukesha	10	9
Totals	30	19*

*Total is not cumulative
among counties.

All allocated SMR Category channels are either assigned in the Milwaukee area or have been recovered and not made available to any applicant.

Southwestern Bell faces competition from 18 other SMR operators in the Milwaukee area.

Janesville, WI:

The Commission has not defined a DFA for Janesville. It appears that Rock County, Wisconsin, constitutes the entirety of the Janesville area.

County	Authorized SMRs	SMR Licensees
Rock	5	4

No 800 MHz Waiting List is centered within Rock County. However, parts of Rock County are within one or more of two Waiting List areas. Whether channels for a new entrepreneur would be available could depend on the actual site of a proposed station.

Southwestern Bell faces competition from three other SMR operators in the small Janesville area.

Lake Villa, IL:

The Commission has not defined a DFA for Lake Villa. It appears that Lake and McHenry Counties, Illinois, constitute the Lake Villa area.

County	Authorized SMRs	SMR Licensees
Lake	6	6
McHenry	1	1
Totals	7	7

No 800 MHz Waiting List is centered within the Lake Villa area. However, the Lake Villa area is within two 800 MHz band Waiting List areas.

Southwestern Bell faces competition from six other SMR operators in the small Lake Villa area.

Madison, WI:

The Commission has not defined a DFA for Madison. It appears that Dane County, Wisconsin, constitutes the entirety of the Madison area.

County	Authorized SMRs	SMR Licensees
Dane	8	7

No 800 MHz band Waiting List is centered within the Dane County area. However, Dane County is within the Milwaukee Waiting List area. Whether channels for a new entrepreneur would be available could depend on the actual site of a proposed station.

Southwestern Bell faces competition for six other SMR operators in the small Madison area.

Pen Argyl, PA:

The Commission has not defined a DFA which includes Pen Argyl, Pennsylvania. The SWB SMR station at Pen Argyl serves the Allentown, Pennsylvania, area. It appears that Northampton and Lehigh Counties constitute the Pen Argyl-Allentown area.

Summerdale, PA:

The Commission has not defined a DFA which includes Summerdale, Pennsylvania. The SWB SMR station at Summerdale serves the Harrisburg, Pennsylvania, area. It appears that Dauphin and Cumberland Counties constitute the Summerdale-Harrisburg area.

County	Authorized SMRs	SMR Licensees
Dauphin	10	9
Cumberland	4	4
Totals	14	12*

*Total is not cumulative between counties.

No 800 MHz band Waiting List is centered within Dauphin County or Lehigh County. However, the area is within the Philadelphia Waiting List area.

Southwestern Bell faces competition for 11 other SMR operators in the small Summerdale-Harrisburg area.

Newmanstown, PA:

The Commission has not defined a DFA which includes Newmanstown, Pennsylvania. The SWB SMR station at Newmanstown serves the Reading, Pennsylvania, area. It appears that Lebanon and Berks Counties constitute the Newmanstown-Reading area.

County	Authorized SMRs	SMR Licensees
Berks	9	8
Lebanon	1	1
Totals	10	9

No 800 MHz band Waiting List is centered within the Newmanstown-Reading area. However, the area is within the Philadelphia Waiting List area.

Southwestern Bell faces competition for eight other SMR operators in the small Newmanstown area.

San Antonio, Texas:

The Commission has determined that the San Antonio area consists of the Texas counties of Bexar, Comal, and Guadalupe.

County	Authorized SMRs	SMR Licensees
Bexar	50	38
Comal	5	5
Guadalupe	0	0
Totals	55	42*

*Total is not cumulative
among counties.

All allocated SMR Category channels are either assigned in the San Antonio area or have been recovered and not made available to any applicant.

Southwestern Bell faces competition from 41 other SMR operators in the San Antonio area.

Conclusions:

The Commission's records demonstrate that in each of the markets in which SWB holds an SMR license, the market is highly competitive. There is a large number of SMR stations in each major market, as well as a large number of competitors offering SMR station service. In the smaller markets, SWB has multiple competitors. Since the time that SWB was authorized to take control of SMR stations, SWB has not acquired any additional SMR stations or merged with any competitor in any market.

For a number of discernable reasons, and for some reasons which are not totally clear, there is no uniform correlation between the number of SMRs and the population of a market or between the number of SMR operators and the population of a market. The SMART SMR, Inc. Enhanced SMR areas cover some of the SWB system areas, including both large and small markets in which SWB controls an SMR station. In each of those markets, SMART and its corporate affiliates hold multiple SMR licenses. For example, in Milwaukee County, Wisconsin, SMART SMR, Inc. holds licenses for six of the 11 existing stations, as well as at least one license in each of the other active counties comprising the

SWB's business judgment the market did not warrant exercising the authority at those times and it returned the unconstructed channels to the Commission. In the Philadelphia market, four channels were recovered from one SWB SMR-Trunked system, and the fifth channel was voluntarily turned back to the Commission. These instances of absence of effort to dominate any market demonstrate that SWB has operated its SMR systems without anticompetitive intent or anticompetitive action of any kind, whatsoever. They also demonstrate that, despite the parent company's financial strength, the SMRs operated by SWB are just as subject to the vagaries of local marketplaces as are all other competitors.

HISTORY OF EXISTING SOUTHWESTERN BELL CORPORATION
SPECIALIZED MOBILE RADIO SYSTEMS

WRE450, New York, NY:

This system has always had five channels.

KFI621, Chicago, IL:

One of the first authorized in the nation, the system has always had 20 trunked channels.

WNAF813, Chicago, IL:

This system, co-located with station KFI621, has five channels. The number of channels has always been five.

WNBO905, Santiago Peak, CA:

This station had five channels at the time that control was acquired by SWB. It continues to have five. This system serves the Los Angeles area.

KNCE288, Philadelphia, PA:

This station had 20 channels at the time that control was acquired by SWB, and continues to have 20. The authorized effective radiated power was initially 1000 watts. However, since the FCC height/power rule allowed a maximum ERP of 600

KNBF695, San Antonio, TX:

When SWB filed its application for authority to take control of station KNBF695, the station was licensed for 20 channels. Before the transfer of control application was granted, the time for determining whether loading requirements had been met was reached. When, shortly after transfer of control had been authorized, the FCC determined that loading requirements had not been fully met, it recovered seven channels, leaving the station authorized for use of 13 channels. Since the date for determining the extent of loading arrived before SWB was granted control, SWB was not responsible for the shortfall in loading.

On January 1, 1989, the FCC granted five additional channels, bringing the authorized number to 18. However, SWB did not construct the additional channels within the time allowed. Therefore, on March 15, 1990, the FCC superseded the station license to return the number of channels to 13.

Upon application by SWB, on August 27, 1990, the FCC again granted five additional channels. Concurrently, SWB was authorized to relocate the station. On September 19, 1991, SWB informed the FCC that it had not completed construction of the additional five channels within the time allowed. Accordingly, on November 4, 1991, the FCC superseded the license to reduce the number of authorized channels to 13. Thirteen channels are currently authorized.

KNCD410, Summerdale, PA:

This station was initially authorized five channels. On October 27, 1988, the station was authorized five additional channels. It is currently authorized for ten. (This system's area is also known, informally, as "Harrisburg".)

KNAH938, Atlantic City, NJ:

This system has always had five trunked channels.

KNDC441, Newmanstown, PA:

This station has always been authorized for five channels. (The station's area is known informally as "Reading".)

KNER557, Pen Argyl, PA:

This station has five trunked channels. The number of channels has remained constant. (This station's area is also known, informally, as "Allentown".)

KNFY957, Lake Villa, IL:

This station was initially assigned five channels at McHenry, Illinois. Shortly after its acquisition by SWB, the station was relocated to Lake Villa. Two additional channels were granted on September 7, 1989, bringing the number to seven. On January 18, 1990, three more channels were granted and immediately constructed, bringing the count to ten. The station currently operates with ten trunked channels.

WNGC337, Janesville, WI:

When control was acquired by SWB, this station was authorized for five channels. Five channels continue to be authorized. The system is fully loaded and an application is in process to request additional channels.

WNFS456, Waukesha, WI:

When control was acquired by SWB, this station was authorized for five channels. Two channels were added in 1989, and three were added in 1992. The station is now authorized for ten trunked channels.

KNCD380, Madison, WI:

When the FCC authorized SWB to take control of this station, ten channels were authorized. On January 5, 1989, the FCC granted five additional channels, bringing the count to 15 channels. Fifteen channels are currently authorized. The system is, in fact, fully loaded and an application is in process to request additional channels, which is to be filed as soon as the FCC loading records correctly reflect all end users of the system.

KNBC515, San Luis Obispo, CA:

This station had five channels at the time that control was acquired by SWB. It continues to have five.

Note to Gene Belardi:

KNEC750, Philadelphia, PA:

We do not have a historical file on this station, and since it is now dead, complete data on it was not available promptly from FCC. The information available shows that as a result of either inadequate loading or incomplete construction, four channels were recovered by FCC in 1988. Then, in 1992, the license for the remaining, fifth channel was submitted for cancellation following the submission of a Finder's Preference claim by a person who reported that operation on the channel had been suspended for more than one year. The channel has been reassigned to another person. Lack of success of this station in a Top Five market may be taken as evidence of the Company's absence of anticompetitive intent or anticompetitive behavior in the SMR field.

II. Marketing

J. SMR

Two-way radio service is offered through the MPS subsidiary. MPS offers the following services through its six two-way radio repeater systems.

Present	1. Two-way radio repeater service
Services	2. Radio telephone service
Offered	3. Remote dispatch service
	4. Vehicle location
	5. Fixed data service
	6. Mobile data service
	7. Status message

Future	1. Paging
Services	2. Wide area coverage (Extended)